

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition for Extended Area
Service from Howard Lake to the
Metropolitan Calling Area

ISSUE DATE: February 8, 2002

DOCKET NO. P-404,407,520,405,423,426,
427,430,421/ CP-97-1770

ORDER SETTING EAS RATE ADDITIVES
AND REQUIRING POLLING

PROCEDURAL HISTORY

On December 16, 1997, subscribers in the Howard Lake exchange filed a petition for Extended Area Service (EAS) to the Minneapolis, St. Paul Metropolitan Calling Area (MCA). Howard Lake is served by Sprint Telephone Company (Sprint). Bridgewater, Citizens, Eckles, Frontier, Lakedale, Scott-Rice, Sherburne, Sprint and Qwest serve the MCA..¹

On August 30, 2000, the Commission issued an Order finding that the proposed EAS route met the threshold requirements of adjacency and traffic volume. The Commission therefore directed the affected telephone companies to submit cost studies and proposed rates. The Commission would then poll Howard Lake subscribers to determine if they wanted EAS at those rates.

The companies duly filed their cost studies and proposed rates, but the Commission did not proceed directly to polling. Instead, in a series of Orders issued between November 1998 and May 2001, the Commission addressed a series of new issues posed by the need to adapt EAS to the competitive telecommunications market mandated by state and federal law. With these issues largely settled, the Commission met on January 22, 2002 to again consider the Howard Lake EAS petition.

¹ Bridge Water Telephone Company, Eckles Telephone Company, Frontier Communications of Minnesota, Inc., Lakedale Telephone Company, Scott-Rice Telephone Company, Sherburne County Rural Telephone Company, Sprint Telephone Company and U S WEST Communications (now Qwest Corporation), respectively.

FINDINGS AND CONCLUSIONS

I. The Legal Standard

Extended area service is a service arrangement permitting neighboring telephone exchanges to become a single local calling area with toll-free calling. The criteria for establishing EAS and the procedures for determining EAS costs were set by Commission Orders (the EAS Orders) following an industry-wide fact-finding and policymaking proceeding.² Briefly, these criteria and procedures are as follows.

- (1) A petitioning exchange must be adjacent to the exchange or local calling area to which it seeks EAS.
- (2) At least 50% of subscribers in the petitioning exchange must make at least three calls per month to the exchange or local calling area to which EAS is sought.
- (3) The companies serving the two exchanges or local calling areas must determine the cost of installing and operating the proposed EAS route, using Commission-approved costing methods, and file proposed rate additives to recover these costs.
- (4) The Commission must poll subscribers in the petitioning exchange on whether they want EAS at the rates adopted by the Commission.
- (5) If 50% of the subscribers responding to the poll vote yes, the EAS route must be installed.

In this case the Commission has determined that the petitioning exchange meets the threshold adjacency and traffic volume requirements. What remains is to determine the cost of the proposed routes, to set rates reflecting those costs, and to poll subscribers in the petitioning exchange.

II. EAS Rate Additives Set

The companies' final cost studies pass muster under the standards set in the EAS Orders. They reflect actual, specific costs and sound accounting methods. They will be accepted.

² In the Matter of an Investigation into the Appropriate Local Calling Scope, in Accordance with Minn. Stat. 237.161 (1994), Docket No. P-999/CI-94-296, ORDER REACTIVATING THE PROCESSING OF EAS PETITIONS (October 24, 1995) and ORDER AFTER RECONSIDERATION (February 23, 1996).

The rates based on these cost studies reflect the Commission's position that transfer payments pose a significant risk in a competitive market and will not be permitted, and that EAS rate additives will include recovery of lost access revenue,³ as well as lost toll contributions.⁴

The proposed rates are set forth below:

EAS Rates for Polling Howard Lake Exchange			
Service	Facilities-Based EAS Rate	Lost Access Recovery	Monthly EAS Rate
Flat-Residence	\$0.52	\$8.52	\$9.04
Flat-Business & Pay	\$1.03	\$17.04	\$18.07
Key/Trunk	\$1.20	\$19.81	\$21.01

Citizens MCA Exchanges EAS Rate Additives			
Service	Facilities-Based EAS Rate	Lost Access Recovery	Total Monthly EAS Rate
Residence	\$0.00	\$0.01	\$0.01
Business	\$0.01	\$0.02	\$0.03

³ In the Matter of a Petition for Extended Area Service from the Almelund Exchange to the Metropolitan Calling Area, Docket No. P-407, 405, 413, 520, 426, 427, 430, 421/CP-97-1237, ORDER AFTER RECONSIDERATION (November 6, 2000), *reversed in part on the Commission's own motion as to other issues*; In the Matter of a Petition for Extended Area Service from the Osakis Exchange to the Alexandria Exchange, Docket No. 552, 430/CP-98-1148, ORDER ESTABLISHING RATE ADDITIVES AND REQUIRING FURTHER FILINGS (November 6, 2000), *reversed on reconsideration as to other issues*.

⁴ In the Matter of a Petition for Extended Area Service from Lewiston to Rochester, St. Charles, Eyota and Winona, Docket No. P-421, 430/CP-97-1598, ORDER SETTING EAS RATE ADDITIVES AND REQUIRING POLLING, (October 12, 2001).

Frontier MCA Exchanges EAS Rate Additives			
	Facilities-Based EAS Rate	Lost Access Recovery	Total Monthly EAS Rate
Residence	\$0.000	\$0.003	\$0.003
Business	\$0.001	\$0.007	\$0.008
Key Trunk	\$0.001	\$0.008	\$0.009
PBX Trunk	\$0.001	\$0.010	\$0.011
School Service			
One Party	\$0.001	\$0.005	\$0.006
Key Trunk	\$0.001	\$0.006	\$0.007
PBX Trunk	\$0.001	\$0.008	\$0.009
Versaline			
Month to Month	\$0.001	\$0.008	\$0.009
One-Year Term	\$0.001	\$0.006	\$0.007
Two Year Term	\$0.001	\$0.005	\$0.006
Three-Year Term	\$0.001	\$0.005	\$0.006

Sprint MCA Exchanges EAS Rate Additives			
Service	Facilities-Based EAS Rate	Lost Access Recovery	Total Monthly EAS Rate
Residence	\$0.002	\$0.009	\$0.011
Business	\$0.004	\$0.018	\$0.022
Key/Trunk	\$0.005	\$0.020	\$0.025
Pay	\$0.004	\$0.018	\$0.022

QWEST's MCA Exchanges EAS Rates			
Service	Facilities-Based EAS Rate	Lost Access/Toll Contribution Recovery	Total Monthly EAS Rate
Residence Flat	\$0.002	\$0.000	\$0.002
Business Flat	\$0.005	\$0.001	\$0.006
Business Msg	\$0.003	\$0.001	\$0.004
Trunks	\$0.005	\$0.002	\$0.007
Centron/ Centrex/Pub/ Semi-Pub	\$0.005	\$0.002	\$0.007

Sherburne MCA Exchanges EAS Rates			
Service	Facilities-Based EAS Rate	Lost Access/Toll Contribution Recovery	Total Monthly EAS Rate
Residence	\$0.000	\$0.024	\$0.024
Business & Pay	\$0.000	\$0.042	\$0.042

Lakedale MCA Exchanges EAS Rate Additives			
Service	Facilities-Based EAS Rate	Lost Access Recovery	Total Monthly EAS Rate
Digital Access Line	\$0.769	\$2.22 8	\$2.997
Pay	\$1.153	\$3.343	\$4.496

Bridgewater MCA Exchanges EAS Rate Additives			
Service	Facilities- Based EAS Rate	Lost Access Recovery	Total Monthly EAS Rate
Residence	\$0.000	\$0.057	\$0.057
Business	\$0.000	\$0.088	\$0.088
PBX Trunk	\$0.000	\$0.139	\$0.139
Key	\$0.000	\$0.092	\$0.092
Centrex	\$0.000	\$0.089	\$0.089

Scott-Rice MCA Exchanges EAS Rate Additives			
Service	Facilities- Based EAS Rate	Lost Access Recovery	Total Monthly EAS Rate
Prior Lake and New Market			
Residence	\$0.000	\$0.004	\$0.004
Business & Pay	\$0.000	\$0.009	\$0.009
Webster			
Residence	\$0.000	\$0.007	\$0.007
Residence FX	\$0.000	\$0.010	\$0.010
Business	\$0.000	\$0.011	\$0.011
Business FX	\$0.000	\$0.015	\$0.015
Pay	\$0.000	\$0.011	\$0.011

Eckles MCA Exchanges EAS Rate Additives			
Service	Facilities- Based EAS Rate	Lost Access Recovery	Total Monthly EAS Rate
Residence - Town	\$0.000	\$0.013	\$0.013
Residence - Rural	\$0.000	\$0.016	\$0.016
Business - Town	\$0.000	\$0.019	\$0.019
Business - Rural	\$0.000	\$0.021	\$0.021
Key - Town	\$0.000	\$0.023	\$0.023
Key - Rural	\$0.000	\$0.025	\$0.025
PBX Trunk	\$0.000	\$0.032	\$0.032
Direct Dial Trunks	\$0.000	\$0.036	\$0.036
Payphone	\$0.000	\$0.037	\$0.037

III. Lower Cost Option for Howard Lake Subscribers

The Commission generally affords subscribers in exchanges that petition for EAS to the MCA a lower cost option to the flat-rate EAS rates.⁵ In this case the Commission will approve the Optional Local Measured Service (LMS) for subscribers in Howard Lake. The lower cost option is set forth below:

The LMS is provided pursuant to the following monthly rate schedule:

	Residence	Business/Payphone	Trunk
Metro	\$10.00	\$17.90	\$17.90
Outstate	\$9.30	\$18.14	\$19.97

⁵ See February 23, 1996 ORDER AFTER RECONSIDERATION, Docket No. P999/CI-94-296, In the Matter of an Investigation into the Appropriate Local Calling Scope, in Accordance with Minn. Stat.237.161, (1994).

The usage charge schedule is as follows:

	1st MOU*	Add'l MOU*
Same Exchange	\$0.04	\$0.01
EAS to Metro	\$0.05	\$0.02

60-percent discount applies to calls placed 10:00 P.M.- 8:00 A.M..

* Minute of Use

IV. Polling Ordered

The last step in the EAS decision-making process is to poll subscribers in the petitioning exchange to determine if the majority favors installing EAS at the rates set by the Commission. The Commission will proceed to polling. It will also direct Sprint, the carrier serving the petitioning exchange, to provide the information and cooperation required for a fair and efficient poll.

Finally, the Commission will require that both the polling materials sent to subscribers and any tariffs ultimately filed itemize separately the portion of the EAS rate additive that recovers facilities costs and the portion that recovers lost access revenues and lost toll contribution. This information may be helpful in developing and implementing a universal service funding mechanism or in future rate re-balancing initiatives. To ease administration and prevent confusion, however, monthly bills should show only the total EAS rate.

The Commission will so order.

ORDER

1. The final cost studies by Sprint, Bridgewater, Citizens, Eckles, Frontier, Lakedale, Scott-Rice, Sherburne, and Qwest are hereby approved.
2. All subscribers in the Howard Lake exchange shall be polled on whether they favor installing the EAS routes proposed at the rates approved herein, which are shown below:

Table 8 EAS Rates for Polling Howard Lake Exchange			
Service	Facilities-Based EAS Rate	Lost Access Recovery	Monthly EAS Rate
Flat-Residence	\$0.52	\$8.52	\$9.04
Flat-Business & Pay	\$1.03	\$17.04	\$18.07
Key/Trunk	\$1.20	\$19.81	\$21.01

3. The rate additives for Citizens, Frontier, Sprint, Qwest, Sherburne, Lakedale, Bridgewater, Scott-Rice, and Eckles MCA exchanges, as set forth in Section II, herein, are hereby approved.
4. The EAS rate additives approved herein shall be itemized, in polling materials and in any tariffs ultimately filed, to show which portion of the rate additive will recover facilities costs and which portion will recover lost access revenues and toll contribution. The EAS rate additives shall not be itemized on customer's bills.
5. Sprint's Local Measured Service is hereby approved as the lower cost option to the Howard Lake subscribers.
6. Sprint shall provide cooperation and assistance to Commission staff and Commission contractors during the polling process. Such cooperation and assistance shall include, but need not be limited to, the following:
 - (a) providing usable, deliverable addresses for all access lines in a format and under time frames set by Commission staff;
 - (b) providing proof of the accuracy of customer lists as requested by the Commission staff.
7. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

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